

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2072
ANSWERED ON:01.12.2000
MODVAT Scheme
PRABHUNATH SINGH

Will the Minister of FINANCE be pleased to state:

- (a) Whether the MODVAT Scheme is being Misutilised in the country consequent to which excise duty worth crores of rupees is being evaded;
- (b) If so, the number of cases came to the notice of Government during the last one year particularly from Faridabad; and
- (c) the measures taken/proposed to be taken to check the misutilisation of the scheme?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE SHRI GINGEE N. RAMACHANDRAN

(a) and (b) Yes sir. Number of cases of misutilisation of Modvat scheme have come to notice of the Government. In Faridabad, 71 case involving misutilisation of Modvat credit by various assesses have come to the notice of the Government during the last one year ending October, 2000.

(C) Various measures are being taken to check abuse of MODVAT

(now known as CENVAT) credit facility and these include

(a) verification of receipt of inputs by surprise visits

(b) checking authenticity of duty paying documents forming basis of credit (c) critical examination of books of account relating to CENVAT credit during audit, specially where large amounts of credit are involved. Penal action is initiated as per stringent provisions of law against the assesses found abusing the scheme . Apart form recovery of amount, interest and prosecution are also considered against those misusing MODVAT credit with intent to evade central excise duty.